

**Second Regular Session
Seventy-third General Assembly
STATE OF COLORADO**

REVISED

*This Version Includes All Amendments Adopted
on Second Reading in the Second House*

LLS NO. 22-0277.01 Richard Sweetman x4333

HOUSE BILL 22-1111

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A BILL FOR AN ACT

101 **CONCERNING INSURANCE COVERAGE FOR INSURED LOSSES INCURRED**
102 **AS A RESULT OF A DECLARED FIRE DISASTER, AND, IN**
103 **CONNECTION THEREWITH, MAKING AN APPROPRIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill establishes new coverage requirements for property and casualty insurance policies issued or renewed in Colorado, which requirements apply in the event of a loss of a residence as a result of a declared fire disaster.

The bill also establishes new requirements for insurers who issue

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

SENATE
Amended 2nd Reading
April 19, 2022

HOUSE
3rd Reading Unamended
March 16, 2022

HOUSE
Amended 2nd Reading
March 15, 2022

or renew property and casualty insurance policies, which requirements concern an insurer's handling of policy claims after such a loss occurs.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 10-4-110.8, **amend**
3 (3) introductory portion and (3)(g); and **add** (3)(h), (3)(i), (13), (14), and
4 (15) as follows:

5 **10-4-110.8. Homeowner's insurance - prohibited and required**
6 **practices - estimates of replacement value - additional living expense**
7 **coverage - copies of policies - personal property contents coverage -**
8 **inventory of personal property - requirements concerning total loss**
9 **scenarios resulting from wildfire disasters - definitions - rules.**

10 (3) ~~For the purposes of AS USED~~ in this section, unless the context
11 otherwise requires:

12 (g) ~~"Recoverable depreciation" means the difference between the~~
13 ~~cost to replace insured property and the actual cash value of the~~
14 ~~property.~~ (I) "OWNER-OCCUPIED RESIDENCE" MEANS A RESIDENCE THAT
15 IS OCCUPIED PRIMARILY FOR THE USE OF THE OWNER AND THE OWNER'S
16 DESIGNNEES.

17 (II) "OWNER-OCCUPIED RESIDENCE" INCLUDES, BUT IS NOT
18 LIMITED TO, AN OWNER-OCCUPIED PRIMARY RESIDENCE.

19 (III) "OWNER-OCCUPIED RESIDENCE" DOES NOT INCLUDE ANY
20 PROPERTY THAT IS INSURED UNDER A COMMERCIAL INSURANCE OR
21 AGRIBUSINESS POLICY.

22 (h) "RECOVERABLE DEPRECIATION" MEANS THE DIFFERENCE
23 BETWEEN THE COST TO REPLACE INSURED PROPERTY AND THE ACTUAL
24 CASH VALUE OF THE PROPERTY.

25 (i) "WILDFIRE" MEANS A RAPIDLY SPREADING FIRE THAT IS

1 DIFFICULT TO BRING UNDER CONTROL IN AN AREA THAT INCLUDES
2 COMBUSTIBLE VEGETATION, SUCH AS TREES, GRASS, BRUSH, OR BUSHES,
3 WHICH FIRE CAUSES WIDESPREAD OR SEVERE DAMAGE TO PROPERTY,
4 REGARDLESS OF THE ORIGINAL SOURCE OF IGNITION OF THE FIRE.

5 (13) IN OFFERING, ISSUING, OR RENEWING A HOMEOWNERS
6 INSURANCE POLICY IN THIS STATE, AN INSURER SHALL COMPLY WITH THE
7 FOLLOWING MINIMUM REQUIREMENTS CONCERNING COVERAGE PROVIDED
8 UNDER THE POLICY TO POLICYHOLDERS TO PROTECT THEM FROM DAMAGES
9 THAT OCCUR IN THE EVENT OF A TOTAL LOSS OF AN OWNER-OCCUPIED
10 RESIDENCE, INCLUDING THE CONTENTS OF THE OWNER-OCCUPIED
11 RESIDENCE, WHICH LOSS OCCURS AS A RESULT OF A WILDFIRE DISASTER
12 THAT THE GOVERNOR DECLARES PURSUANT TO SECTION 24-33.5-704:

13 (a) A POLICY OF HOMEOWNERS INSURANCE MAY NOT LIMIT OR
14 DENY A PAYMENT OF THE BUILDING CODE UPGRADE COST OR A PAYMENT
15 OF ANY EXTENDED REPLACEMENT COST AVAILABLE UNDER THE POLICY
16 COVERAGE FOR A POLICYHOLDER'S STRUCTURE THAT WAS A TOTAL LOSS
17 ON THE BASIS THAT THE POLICYHOLDER DECIDED TO REBUILD IN A NEW
18 LOCATION OR TO PURCHASE AN EXISTING STRUCTURE IN A NEW LOCATION
19 IF THE POLICY OTHERWISE COVERS THE REPLACEMENT COST OR BUILDING
20 CODE UPGRADE COST; EXCEPT THAT THE MEASURE OF INDEMNITY MAY
21 NOT EXCEED THE REPLACEMENT COST, INCLUDING THE UPGRADE COSTS
22 AND EXTENDED REPLACEMENT COST FOR REPAIRING, REBUILDING, OR
23 REPLACING THE STRUCTURE AT THE ORIGINAL LOCATION OF THE LOSS.

24 (b) IF A POLICY OF HOMEOWNERS INSURANCE REQUIRES A
25 POLICYHOLDER TO REPAIR, REBUILD, OR REPLACE DAMAGED OR LOST
26 PROPERTY IN ORDER TO COLLECT THE FULL REPLACEMENT COST FOR THE
27 PROPERTY, THE INSURER, SUBJECT TO THE POLICY LIMITS, SHALL:

1 (I) ALLOW THE POLICYHOLDER AT LEAST THIRTY-SIX MONTHS TO
2 SUBMIT RECEIPTS AND INVOICES FOR THE REPLACEMENT COSTS OF THE
3 INSURED OWNER-OCCUPIED RESIDENCE, WHICH PERIOD BEGINS ON THE
4 DATE UPON WHICH THE INSURER PROVIDES THE INITIAL PAYMENT TOWARD
5 THE ACTUAL CASH VALUE OF THE DAMAGE OR LOSS; AND

6 (II) PROVIDE THAT, IN ADDITION TO THE PERIOD DESCRIBED IN
7 SUBSECTION (13)(b)(I) OF THIS SECTION, THE POLICYHOLDER HAS THE
8 OPTION TO TWICE EXTEND SUCH PERIOD BY SIX MONTHS IF THE
9 POLICYHOLDER, ACTING IN GOOD FAITH AND WITH REASONABLE
10 DILIGENCE, ENCOUNTERS UNAVOIDABLE DELAYS IN OBTAINING A
11 CONSTRUCTION PERMIT, LACKS NECESSARY CONSTRUCTION MATERIALS,
12 LACKS AVAILABLE CONTRACTORS TO PERFORM NECESSARY WORK, OR
13 ENCOUNTERS OTHER CIRCUMSTANCES BEYOND THE POLICYHOLDER'S
14 CONTROL. THIS SUBSECTION (13)(b)(II) DOES NOT PROHIBIT AN INSURER
15 FROM ALLOWING A POLICYHOLDER ADDITIONAL TIME TO COLLECT THE
16 FULL REPLACEMENT COST FOR LOST OR DAMAGED PROPERTY OR FOR
17 ADDITIONAL LIVING EXPENSES.

18 (c) THE POLICY MUST INCLUDE ADDITIONAL LIVING EXPENSE
19 COVERAGE TO APPLY IN THE EVENT OF SUCH A LOSS. NOTWITHSTANDING
20 SUBSECTION (6)(b) OF THIS SECTION, ADDITIONAL LIVING EXPENSE
21 COVERAGE MUST BE AVAILABLE FOR A PERIOD OF AT LEAST TWENTY-FOUR
22 MONTHS, AND THE INSURER SHALL OFFER THE POLICYHOLDER THE
23 OPPORTUNITY TO TWICE EXTEND SUCH PERIOD BY SIX MONTHS IF THE
24 POLICYHOLDER, ACTING IN GOOD FAITH AND WITH REASONABLE
25 DILIGENCE, ENCOUNTERS A DELAY OR DELAYS IN RECEIVING NECESSARY
26 PERMIT APPROVALS FOR, OR RECONSTRUCTION OF, THE INSURED
27 OWNER-OCCUPIED RESIDENCE, WHICH DELAYS ARE BEYOND THE CONTROL

1 OF THE POLICYHOLDER.

2 (d) THE POLICY MUST PROVIDE THAT, NOTWITHSTANDING
3 SUBSECTION (11)(c) OF THIS SECTION, TO REPLACE PERSONAL PROPERTY
4 AND RECEIVE RECOVERABLE DEPRECIATION ON THAT PROPERTY, AN
5 INSURER SHALL ALLOW THE POLICYHOLDER THE GREATER OF:

6 (I) AT LEAST THREE HUNDRED SIXTY-FIVE DAYS AFTER THE
7 EXPIRATION OF ALE; OR

8 (II) THIRTY-SIX MONTHS AFTER THE INSURER PROVIDES THE
9 POLICYHOLDER THE FIRST PAYMENT TOWARD THE ACTUAL CASH VALUE OF
10 SUCH LOSS.

11 (e) THE POLICY MUST PROVIDE THAT THE INSURER WILL PAY THE
12 POLICYHOLDER FOR THE LOSS OF USE OF THE INSURED PROPERTY WITHIN
13 TWENTY DAYS AFTER THE INSURER RECEIVES DOCUMENTATION OF SUCH
14 LOSS, WHICH DOCUMENTATION MAY INCLUDE A SIGNED LEASE THAT
15 OBLIGATES THE POLICYHOLDER TO PAY FOR TEMPORARY REPLACEMENT
16 HOUSING; EXCEPT THAT:

17 (I) IF A POLICYHOLDER PROVIDES A SIGNED LEASE AS
18 DOCUMENTATION, THE INSURER MAY PAY THE POLICYHOLDER IN MONTHLY
19 OR OTHER INCREMENTS, IN ACCORDANCE WITH THE TERMS OF THE LEASE;
20 AND

21 (II) ALTERNATIVELY, AN INSURER MAY PROVIDE ADVANCE RENT
22 PAYMENTS FOR HOUSING FOR THE POLICYHOLDER, FAMILY MEMBERS,
23 LIVESTOCK, AND PETS, AS NECESSARY.

24 (f) THE POLICY MUST PROVIDE THAT THE POLICYHOLDER MAY
25 EITHER:

26 (I) REPLACE THE INSURED OWNER-OCCUPIED RESIDENCE AT THE
27 CURRENT LOCATION OR ANOTHER LOCATION, IN EITHER OF WHICH CASE

1 THE CALCULATION OF THE REPLACEMENT COST OF THE INSURED
2 OWNER-OCCUPIED RESIDENCE SHALL NOT INCLUDE CONSIDERATION OF THE
3 VALUE OF THE LAND UPON WHICH THE REPLACEMENT RESIDENCE IS
4 LOCATED; OR

5 (II) USE THE PROCEEDS FROM THE POLICY TO PURCHASE AN
6 EXISTING RESIDENCE AT A NEW LOCATION, IN WHICH CASE THE
7 CALCULATION OF THE REPLACEMENT COST OF THE INSURED
8 OWNER-OCCUPIED RESIDENCE SHALL NOT INCLUDE CONSIDERATION OF THE
9 VALUE OF THE LAND UPON WHICH THE EXISTING RESIDENCE IS LOCATED.

10 (g) THE POLICY MUST ALLOW A POLICYHOLDER TO USE CLAIMS
11 PAYMENTS RESULTING FROM COVERAGE AGAINST THE LOSS OF
12 OUTBUILDINGS, DWELLING EXTENSIONS, AND OTHER STRUCTURES TO PAY
13 THE COSTS OF A REPLACEMENT RESIDENCE IF THE COVERAGE LIMIT THAT
14 APPLIES TO THE POLICYHOLDER'S OWNER-OCCUPIED RESIDENCE IS
15 INSUFFICIENT TO PAY FOR REBUILDING OR REPLACING THE
16 OWNER-OCCUPIED RESIDENCE. ANY CLAIMS PAYMENTS FOR LOSSES
17 PURSUANT TO THIS SUBSECTION (13)(g) FOR WHICH REPLACEMENT COST
18 COVERAGE IS APPLICABLE SHALL BE FOR THE FULL REPLACEMENT VALUE
19 OF THE LOSS WITHOUT REQUIRING ACTUAL REPLACEMENT OF THE OTHER
20 STRUCTURES. CLAIMS PAYMENTS FOR OTHER STRUCTURES IN EXCESS OF
21 THE AMOUNT APPLIED TOWARD THE NECESSARY COST TO REBUILD OR
22 REPLACE THE DAMAGED OR DESTROYED DWELLING SHALL BE PAID
23 ACCORDING TO THE TERMS OF THE POLICY.

24 (h) WITHIN A REASONABLE AMOUNT OF TIME AFTER RECEIVING A
25 CLAIM UNDER AN ISSUED POLICY, AN INSURER SHALL PROVIDE TO THE
26 POLICYHOLDER:

27 (I) APPROPRIATE CONTACT INFORMATION THAT ALLOWS FOR

1 DIRECT CONTACT WITH EITHER AN EMPLOYEE OF THE INSURER OR A
2 REPRESENTATIVE WHO IS CAPABLE OF ELEVATING COMPLAINTS OR
3 INQUIRIES TO AN EMPLOYEE OF THE INSURER;

4 (II) AT LEAST ONE MEANS OF COMMUNICATION DURING REGULAR
5 BUSINESS HOURS; AND

6 (III) A WRITTEN STATUS REPORT IF, WITHIN A SIX-MONTH PERIOD,
7 THE POLICYHOLDER IS ASSIGNED A THIRD OR SUBSEQUENT ADJUSTER TO
8 BE PRIMARILY RESPONSIBLE FOR A CLAIM. THE WRITTEN STATUS REPORT
9 MUST INCLUDE A SUMMARY OF ANY DECISIONS OR ACTIONS THAT ARE
10 SUBSTANTIALLY RELATED TO THE DISPOSITION OF A CLAIM, INCLUDING
11 THE AMOUNT OF LOSSES TO STRUCTURES OR CONTENTS, THE RETENTION
12 OF CONSULTATION OF DESIGN OR CONSTRUCTION PROFESSIONALS, THE
13 AMOUNT OF COVERAGE FOR LOSSES TO STRUCTURES OR CONTENTS, AND
14 ALL ITEMS OF DISPUTE.

15 (14) IF A HOMEOWNERS INSURANCE POLICYHOLDER EXPERIENCES
16 A TOTAL LOSS OF THE CONTENTS OF AN OWNER-OCCUPIED RESIDENCE
17 THAT WAS DOCUMENTED AS BEING FURNISHED AT THE TIME OF LOSS AS A
18 RESULT OF A WILDFIRE DISASTER THAT IS DECLARED BY THE GOVERNOR
19 PURSUANT TO SECTION 24-33.5-704, THE INSURER SHALL:

20 (a) NOTWITHSTANDING SUBSECTION (11)(a) OF THIS SECTION,
21 OFFER THE POLICYHOLDER A MINIMUM OF SIXTY-FIVE PERCENT, OR A
22 LARGER PERCENT BY MUTUAL AGREEMENT OF THE POLICYHOLDER AND
23 INSURER, OF THE LIMIT OF THE CONTENTS COVERAGE INDICATED IN THE
24 DECLARATION PAGE OF THE POLICY WITHOUT REQUIRING THE
25 POLICYHOLDER TO SUBMIT A WRITTEN INVENTORY OF THE CONTENTS;

26 (b) NOTIFY THE POLICYHOLDER THAT:

27 (I) ACCEPTANCE OF THE MONEY DESCRIBED IN SUBSECTION (14)(a)

1 OF THIS SECTION DOES NOT CHANGE THE BENEFITS AVAILABLE UNDER THE
2 POLICY;

3 (II) ADDITIONAL MONEY MAY BE AVAILABLE IF THE
4 POLICYHOLDER SUBMITS AN INVENTORY; AND

5 (III) THE INSURER IS REQUIRED, PURSUANT TO SUBSECTION (11)(b)
6 OF THIS SECTION, TO DISCLOSE ITS METHODOLOGY FOR DETERMINING THE
7 DEPRECIATED VALUE OF THE CONTENTS OF INSURED PROPERTY;

8 (c) (I) IF THE POLICYHOLDER SUBMITS AN INVENTORY OF
9 PERSONAL PROPERTY LOSSES IN AN AMOUNT THAT EXCEEDS THE AMOUNT
10 PAID TO THE POLICYHOLDER PURSUANT TO SUBSECTION (14)(a) OF THIS
11 SECTION:

12 (A) REQUEST ANY ADDITIONAL INFORMATION CONCERNING THE
13 INVENTORY NO LATER THAN THIRTY DAYS AFTER RECEIVING THE
14 INVENTORY; AND

15 (B) PROVIDE PAYMENT FOR ANY COVERED AND UNDISPUTED ITEMS
16 WITHIN THIRTY DAYS AFTER RECEIVING THE INVENTORY.

17 (II) THE COMMISSIONER SHALL ADOPT RULES TO SIMPLIFY THE
18 PROCESS FOR POLICYHOLDERS TO SUBMIT AN INVENTORY FOR PERSONAL
19 PROPERTY LOSSES AND EXPEDITE REIMBURSEMENT FOR SUCH LOSSES.

20 (d) PROVIDE PAYMENT FOR COVERED COSTS ASSOCIATED WITH THE
21 REMOVAL OF DEBRIS WITHIN SIXTY DAYS AFTER RECEIVING AN INVOICE,
22 RECEIPT, OR OTHER DOCUMENTATION INDICATING THE DATE AND COST OF
23 THE REMOVAL OF THE DEBRIS; EXCEPT THAT, IN CASES WHERE DEBRIS
24 REMOVAL IS CONDUCTED BY, OR IN COORDINATION WITH, GOVERNMENTAL
25 ENTITIES, PAYMENT FOR COVERED COSTS FOR REMOVAL OF DEBRIS WILL
26 BE PROVIDED WITHIN A REASONABLE AMOUNT OF TIME; AND

27 (e) PROVIDE PAYMENT FOR ANY COVERED LOSS OF TREES, SHRUBS,

1 AND LANDSCAPING WITHIN THIRTY DAYS AFTER THE INSURER RECEIVES
2 DOCUMENTATION OF SUCH LOSS, SUCH AS DOCUMENTATION FROM A
3 REPUTABLE LANDSCAPING COMPANY, SHOWING THE NUMBER AND NATURE
4 OF TREES, SHRUBS, AND LANDSCAPING FEATURES DAMAGED OR
5 DESTROYED.

6 (15) THE COMMISSIONER MAY ADOPT RULES AS NECESSARY FOR
7 WILDFIRE DISASTERS THAT THE GOVERNOR DECLARES PURSUANT TO
8 SECTION 24-33.5-704 AND FOR THE IMPLEMENTATION OF SUBSECTIONS
9 (13) AND (14) OF THIS SECTION.

10 **SECTION 2. Appropriation.** (1) For the 2022-23 state fiscal
11 year, \$66,781 is appropriated to the department of regulatory agencies for
12 use by the division of insurance. This appropriation is from the division
13 of insurance cash fund created in section 10-1-103 (3), C.R.S. To
14 implement this act, the division may use this appropriation as follows:

15 (a) \$59,231 for personal services, which amount is based on an
16 assumption that the division will require an additional 1.0 FTE; and

17 (b) \$7,550 for operating expenses.

18 **SECTION 3. Act subject to petition - effective date -**
19 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following
20 the expiration of the ninety-day period after final adjournment of the
21 general assembly; except that, if a referendum petition is filed pursuant
22 to section 1 (3) of article V of the state constitution against this act or an
23 item, section, or part of this act within such period, then the act, item,
24 section, or part will not take effect unless approved by the people at the
25 general election to be held in November 2022 and, in such case, will take
26 effect on the date of the official declaration of the vote thereon by the
27 governor.

1 (2) This act applies to the offer, issuance, and renewal of property
2 and casualty insurance policies in the state and to the administration of
3 claims pursuant to such policies on and after the applicable effective date
4 of this act.